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First Consultation Meeting on the
Vegetable Oils and Fats Industry, 1st,
Madrid, Spain, 12 - 16 December 1977

REPORT OF THE REGIONAL PREPARATORY MEETING FOR
CONSULTATIONS ON AGRO-BASED INDUSTRIES:
VEGETABLE OILS AND FATS INDUSTRY^{1/}

organized jointly

by

UNIDO and ECA ,

Addis Ababa, 4 - 7 July 1977 .

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A. BACKGROUND OF THE MEETING

1. The system of consultations in the Industrial Sector, which was initiated in early 1975, was eventually formalized in the Lima Declaration and Plan of Action on Industrial Development and Co-operation, adopted by the Second General Conference of UNIDO, held in Lima in March 1975 (ID/B/155/Add.1). It is an innovative mechanism which is expected to contribute to increasing the developing countries' share in world industrial production.
2. However, even before the Lima Conference, important decisions in this area had been taken by the developing countries at the regional and international levels.
3. The third Conference of the African Ministers of Industry, which met in Nairobi in December 1975, adopted a declaration under which the Follow-up Committee on Industrialization in Africa was entrusted with a focal role in the regional consultations and negotiations and in monitoring progress towards the quantitative target for African industrialization.
4. At the interregional level, the Group of 77, at its Second Ministerial Meeting, held in Algiers in February 1975, adopted a Declaration and Plan of Action which called for a system of continuous negotiations and consultations at the global, regional and sectoral levels as a major tool in facilitating the establishment of a new international economic order. It called upon UNIDO to function as a forum for the negotiation of agreements between developed and developing countries and among developing countries themselves.
5. The Follow-up Committee on Industrialization in Africa, at its third meeting, held in Addis Ababa in November 1976, endorsed the system of consultations as a viable tool in the task of securing a greater degree of African self-reliance and promoting intra-African co-operation schemes.
6. The Second General Conference of UNIDO recommended that UNIDO should establish a system of continuing consultations at the global, regional and sectoral levels. This recommendation was subsequently endorsed by the General Assembly in resolution 3362 (S-VII).
7. In accordance with these directives, the Industrial Development Board decided at its tenth session that, as an initial step, UNIDO should convene consultations meetings on a few specific sectors of industry on an experimental basis. It further decided that, to pave the way for sectoral consultations, UNIDO could, in co-operation with various regional bodies, initiate preparatory activities at the regional level. Accordingly, a preparatory meeting on the vegetable oils and fats industry was organized by UNIDO and ECA in Addis Ababa from 4 to 7 July 1977, with the aim of developing a regional strategy and an issue paper for consideration at the global consultation meeting.

B. ORGANIZATION OF THE MEETING

Opening of the meeting

8. The meeting was opened by Mr. G. Kimani, Acting Chief of the Joint ECA/UNIDO Industry Division. An opening statement was also made by Mr. H. Rahim, of the UNIDO Negotiations Section.

9. The meeting was jointly chaired by Mr. A.M. Nakamura, Chief of the Industrial Development Section in the Joint ECA/UNIDO Industry Division, and Mr. H. Rahn.

Attendance

10. The expert participants attending the meeting were:

Kamal Eldin Ahmed Beyali, President, Alexandria Oil and Soap, Egypt
Kabba M.A. Jallow, Deputy managing Director, Gambia Produce Marketing Board
Samuel Larbi-Odam, General manager, Vegetable Oils Mill-Ginoc, Accra, Ghana
Merga Afeta, General Manager, Ethiopian Food Corporation, Addis Ababa, Ethiopia
Yohannes Ayalew, Economist, Ethiopian Food Corporation, Addis Ababa, Ethiopia

11. The following observers were present:

C. Coombes, FAO Country Representative, Ethiopia
Osar Wanby, Chief, Agricultural Marketing Section, Joint ECA/FAO Agriculture Division

12. The ECA secretariat was represented by the following staff members:

G. Kimani, Acting Chief, Joint ECA/UNIDO Industry Division
A.M. Nakamura, Chief, Industrial Development Section
R. Noury, Regional Adviser, Joint ECA/UNIDO Industry Division
S.J. Walters, Economic Affairs Officer, Joint ECA/UNIDO Industry Division

13. The UNIDO secretariat was represented by the following staff members:

M.O. Abdelmoneim, Sectoral Studies Section, International Centre for Industrial Studies
Hussein K. Rahn, Negotiations Section

Agenda

14. The meeting adopted the following agenda:

1. Opening statements
2. Adoption of the agenda and organization of work
3. Raw material production:
 - (a) Present situation and future expansion prospects in the African region with respect to the following major oilseeds:
Linseed, sesame seed, cotton seed, palm oil and groundnuts
 - (b) Prospects for development of other oilseeds:
Soya and sunflower
4. Handling and storage
5. Processing technology, redeployment and training
6. Marketing
7. Consideration and adoption of the report of the meeting

C. ACCOUNT OF PROCEEDINGS

Opening statements (agenda item 1)

15. In his opening statement the Acting Chief of the Joint ECA/UNIDO Industry Division, after welcoming the consultants and other participants to the meeting, briefly sketched the background to the regional preparatory meeting.

16. He urged the experts and other participants who had specialized knowledge and experience in their own countries to make their contributions in the discussions so that specific issues could be identified for appropriate action at the meeting on Vegetable Oils and Fats to be held in Madrid from 12 to 16 December 1977.

17. Mr. H.K. Rana expressed UNIDO's satisfaction at having been able to organize the present regional preparatory meeting, which was the first in a series of similar meetings held at the headquarters of the regional economic commissions. He hoped that the series of meetings would succeed in formulating clear guidelines for identifying the global patterns of development in the vegetable oils and fats sector, and solutions to some of the problems faced by developing countries in building up and expanding their industrial production. They might also indicate some possibilities of co-operation among developing and developed countries.

18. The purpose of the meeting was to specify the future requirements of the vegetable oils and fats sector and its potential for expansion in the region, and on that basis to identify certain priority issues and problems for consideration at the global meeting. The central theme in the regional deliberations would be to identify the opportunities for and constraints on redeployment or relocation of vegetable-oils-and-fats-processing capacity in the African region and to determine how that process could be accelerated through broad agreements providing, *inter alia*, for the transfer of know-how, the development of human skills, the mobilization of financial resources, access to markets, and so on.

Raw material production (agenda item 3)

General consideration of the constraints

19. A general review of the present position with regard to the production of the major oilseeds (linseed, sesame seed, cotton seed, oil palm, groundnuts and copra) in selected African countries such as the Gambia, Ghana, Egypt and Ethiopia, produced an uneven picture: certain oilseeds might be abundant in one country but scarce in another. Consequently the constraints varied from country to country. Egypt faced the problem of limited arable land, and hence imported about two thirds of its vegetable oil and fats requirements. West African countries growing groundnuts, such as the Gambia and Ghana, were confronted with climatic constraints such as droughts, and labour problems due to the seasonal nature of crop growing. Disease control was another serious obstacle to expanding vegetable oilseed production. Groundnuts did not lend themselves to commercial cultivation, and continued to be produced by individual farmers. In Ghana, the Government policy was to seek the co-operation of international financing institutions (such as IBRD) and multinational companies (such as UNILEVER) in expanding the oil palm plantations, for which growth of 60 per cent over 1970 levels was planned by 1984.

20. Prospects for the future growth of new oilseeds such as soya and sunflower, were limited by land availability. Nevertheless, a beginning had been made in Egypt with the planting of 20,000 acres of soya and small scattered areas of sunflower.

Issues for consideration

At the national level

21. (a) Land reclamation should be intensified
- (b) FAO should increase disease and pest control measures (Aflatoxin)
- (c) Farm mechanization should be expanded with the help of bilateral technical assistance
- (d) African countries should examine the feasibility of growing other oilseeds (such as soya) for which growing international demand existed.

At the regional level

22. Regional co-operation on R and D should be intensified, especially for control of Aflatoxin. The African Groundnut Council (AGC) (whose members included the Gambia, Mali, the Niger, Nigeria, Senegal and the Sudan) should be strengthened and expanded to cover other major oilseeds in Africa, to act as a viable forum for discussions at the international level, in particular with the London-based Federation of Oilseeds and Fats Association, and to initiate and follow up on R and D activities.

At the international level

23. (a) Expansion of plantations for oil palm through joint ventures: for example, the Ghana/IBRD and Ghana/UNILEVER projects for a 40,000 acre oil palm plantation development scheme
- (b) Acquisition of new hybrid species (for example copra)
- (c) Developed countries should pledge the remaining 5.7 million still required for the 10 million AGC project for the control of Aflatoxin in the AGC region.

Handling and storage (agenda item 4)

General consideration of the constraints

24. The major constraints in handling and storage were reviewed as they applied to the main oilseeds in the African region. They were:
- (a) Primitive and poor harvesting by manual methods, resulting in up to 30 per cent wastage
 - (b) Absence of bulk handling and storage capacity for cotton seed and other oilseeds
 - (c) Serious transport problems: poor standard, or absence of all-weather motorable roads resulting in isolation of hinterland producing areas
 - (d) Lack of suitable port facilities for loading, unloading and storage of seeds and oils.

Issues for consideration

At the national level

25. (a) Bilateral or multilateral technical assistance projects should be expanded to ensure comprehensive development of the logistics of handling and storage, as well as the expansion of all-weather road networks.
- (b) Integration and consolidation of small-land holdings to increase acreage to be harvested, and thereby facilitate mechanization.

At the international level

26. (a) The Consultation Meeting should call on the developed countries to assist developing countries in the region in developing and adopting appropriate implements and tools for use on farms where mechanization is not feasible.
- (b) Because of the complexity and variety of harvesting technologies being used, UNIDO should undertake a global investigation of the latest harvesting technologies, and those best suited to conditions in developing countries.

Processing technology, redeployment and training (agenda item 5)

General consideration of the constraints

27. The processing technology of the oilseed industry was relatively well known. Most African countries had excess processing capacity. Small-scale hydraulic and expeller plants installed a few decades back were still predominant in Africa. However, some solvent extraction plants with capacities as high as 400 tons per day were already in operation. Refining (including neutralizing, bleaching, deodorizing and winterizing) and hydrogenation (margarine production, splitting and distillation of fatty acids, laundry and toilet soap production) were being carried out in some African countries.

28. In the Gambia, negotiations had already started with EEC countries for the modernization of the country's entire oilseed processing industry.

29. The major constraints identified were:

- (a) The high cost of new equipment
- (b) The age of the equipment, which presented maintenance and spare parts problems
- (c) Qualified indigenous technologists and engineers were still in short supply
- (d) Inefficient slaughtering practices were holding back the recovery of tallow required for soap production (tallow requirements were now being imported).

Issues for consideration

At the national level

30. (a) UNIDO and other international and bilateral agencies should intensify their efforts in organizing on-the-job training and refresher courses
- (b) Intensified support was required for the establishment of national associations of oilseed processors

- (c) The manufacture of processing equipment in African countries should be encouraged
- (d) Slaughtering facilities (abattoirs) and practices should be improved to increase tallow recovery.

At the regional level

31. ECA should ensure that representatives of the industry in African countries had an opportunity to discuss their problems and future plans once a year, in order to promote intra-African co-ordination and co-operation, particularly in the fields of training and processing.

At the international level

- 32. (a) Intensified co-operation was required with other, more advanced developing countries in the purchase of new equipment in order to reduce the amount of investment involved
- (b) The search should be intensified for joint ventures between developed and African countries in multinational projects beneficial to all parties concerned in the fields of plantations, processing, packaging and so on
- (c) It was necessary to seek the agreement of developed countries to give preference to African and other developing countries in setting up new processing capacity
- (d) It was necessary to seek the co-operation of advanced developing and developed countries in setting up facilities for the manufacture of oilseed processing machinery and equipment.

Marketing (agenda item 6)

General consideration of the constraints

33. Although some African countries needed to import either oilseeds, crude oils or semi-refined oils to supplement local production in meeting national demand, other African countries exported seeds and/or oil. In Egypt a pricing policy had been in effect for over 25 years in order to subsidize the price of oil to consumers. Non-availability of shipping space and high shipping rates were a major constraint in exporting. In addition, problems arose in exporting to some European countries in connexion with the level of aflatoxin acceptable to them, as well as other non-tariff barriers. The differential tariff rates and duties which increased with the degree of processing constituted an obstacle to the marketing of processed vegetable oils and fats in developed countries (especially non-EEC members).

At the national level

34. Efforts should be intensified for the production of new by-products for the industry, such as fatty acids and so on.

At the international level

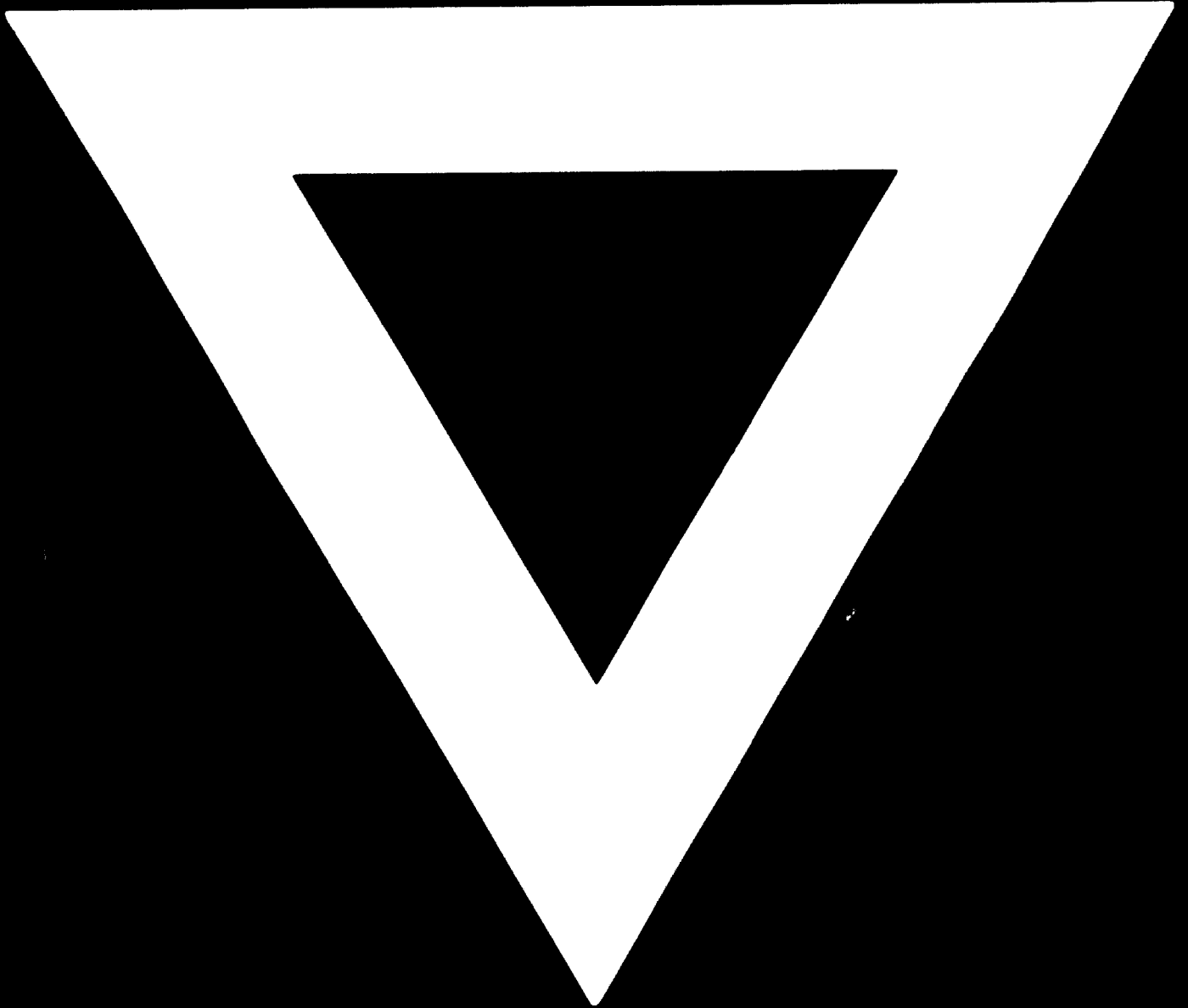
35. (a) Discussions were necessary with developed countries concerning the easing of high shipping freight rates
- (b) Co-operation should be organized with developed countries on the availability of shipping space
- (c) Discussion should be initiated with developed countries (mainly non-EEC members) on measures to remove or ease differential tariff rates and duties, thus ensuring easier access for processed products.

Consideration and adoption of the report of the meeting (agenda item 7)

36. The present report was unanimously adopted on 7 July 1977.



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